

**April 24, 2012 Interim Finance Committee Information Request
Fire Science Academy Sale and Site Restoration Costs**

At the December 2011 meeting the Board of Regents, upon the recommendation of UNR interim president Marc Johnson, voted unanimously to close the Fire Science Academy (FSA) program and proceed with sale of the FSA facility to the Nevada Division of State Lands for the benefit of the Nevada Department of the Military for use by the Nevada National Guard. President Johnson's recommendation followed an aggressive but unsuccessful final campaign to secure long-term public and/or private funding to ensure the future financial sustainability of the FSA.

Status of the FSA Facility Sale to the Nevada Division of State Lands

The Purchase and Sale Agreement selling the FSA facility to the Nevada Division of State Lands for \$10M is in place having been previously approved by the Board of Regents, Board of Examiners and the Interim Finance Committee.

For over a year consummation of the sale, which involves both federal and state funding, has been awaiting receipt of appropriated federal funds which first required a technical correction in the legislative language contained in the National Defense Authorization Act authorizing relocation of the Nevada National Guard Readiness Center from Elko to Carlin.

On December 31, 2011, President Obama signed the National Defense Authorization Act making the federal funds available. It is our understanding that all state funds in connection with this transaction are currently being held by the Nevada State Lands Division. While we were initially told to plan to close escrow on or about April 27, 2012, we have recently been informed that the closing will be delayed. As of this writing a new closing date has yet been set.

FSA Closure and Restoration Plan - Cost Estimate

In 2008 the University reviewed the option of simply closing the FSA. Working with our environmental consultant, an estimate of closure costs was prepared which assumed 'mothballing' the facility and restoring the site to a level acceptable to the Nevada Division of Environmental Protection (NDEP). The estimate was \$3.5M.

In October of 2011, following the proposed sale and leaseback agreement with the Nevada Division of State Lands, a new estimate for closure and site reclamation was developed. It reflected a new set of assumptions based on the likelihood that if FSA closed in the future, the University would not be the owner - but the lessee - at that time and reclamation requirements for a future use would be different from that of simply mothballing. If that were the case additional work over and above that estimated in 2008 would be required to achieve this higher standard. The assumptions included the removal of props, concrete prop pads, fuel containment and other concrete lined areas. Further, items which were abandoned in place in the 2008 assessment would need to be removed and disposed of in this version. These additional restoration items increased the projected cost estimate from \$3.5M to \$4.1M.

There remains some uncertainty regarding any necessary remediation. The level of contamination found at the site, if any, will have a direct bearing on the final, actual costs to restore the property. The University and its consultant have now completed a detailed Site Restoration Plan. The Plan has been shared with the NDEP, Nevada Division of State Lands and the Nevada National Guard. The Plan estimates the project to take 18 to 24 months to complete and work has commenced toward that end. At this time there is no change in the \$4.1M restoration cost estimate prepared last October.

FSA Closure and Restoration Plan – Source of Funds

The University's 2005 Mill & McCarran property sale proceeds account had a balance of \$8.7M. After deducting \$4.5M for purposes of additional FSA capital debt reduction, as previously approved by the Board of Regents, there remained a balance of \$4.2M. Consistent with conditions imposed by the Board of Regents with regards to the use of Mill & McCarran property sale proceeds under Board Resolution 81-8, the University requested and the Board approved the use of the remaining \$4.2 balance to fund the FSA Closure and Restoration Plan (March 2012 Board of Regents meeting).